App.F.IX-4]

1924.5 File No. 28-24

Previous References. (G.T.) Serial Nos. 1-8, 9

Later references.

G.T. 47-27. Sg. 1-4.
G.T. 29-33-1 to 7

P 24/3/43

GENERAL & REVENUE SECRETARIAT

Serial Nos. 9

Part B for July 1925.

SUBJECT

Exemption from incometax, of the income of charitable institutions which carry on trade on Commercial principles.

Fil 436 | G.T. 28-24-8 dated 24.7.25

Directs that the Wesleyan Mission Press & other Similar institutions which Carry on trade on Commercial principles & apply the profits there of to Charitable or religious purposes be exempted from incomtax under Section 4 (3) (i) of the Mysore G.T. Regn — To The Commr, G.T.

G. R. S. III—1] 1924

GENERAL AND REVENUE SECRETARIAT.

(Income Tax

NOTES.

File No. 28 - 24

FILE HEADING.

Assessment to income tax the income of charitable & Religious institutions which carry on trade on commercial principles.

From

Comm of Income Tax in Mysore

No. C108 Dated 30.10.24 Received 1/3.11.24

Diary No. 1586 Enclos. 2 Spare Copies. - Serial No. 1

BRIEF ABSTRACT OF LETTER.

Forwards copy of a letter addressed to the Dy. Comm of Income Tax for Bangalore & Mysore in regard to the assessment of the Wesleyn Mission Press, Mysore & states that such institutions have to send up their annual returns & then claim exemption if necessary.

NOTES AND ORDERS.

Subd. The general question is raised on a reference made by the Asst. Comm of Income Tax for Bangalore & Mysore in connection with the assessment of the Wesleyn Mission Press, Mysore. In this case, the Mission is carrying on business

NOTES—First Sheet.

Serial No.

on commercial lines & the profits thereof are applied for religious & charitable purposes. It is reported that the S.P.C.K, Madras & the Bible Tract Depot, C & M Station have been exempted from taxation.

2 According to Section 4(3) i & ii of the I.T. Act, income derived from religious or charity property & solely devoted to religious or charitable purposes & income derived from voluntary contributions & applicable solely to religious or charitable purposes are not taxable. Accordingly where a charity carries on a trade, it cannot claim any exemption in respect of its trading profits & it is liable to be taxed.

3 Reference is invited to page 104 of Doraswamy Iyengar's manual & page 64 of Viswanatha Sastri's manual where certain cases are mentioned to show that when charitable institutions carried on a trade, no exemption from tax in respect of their trading profits has been allowed.

Submd. for orders.

KW 11/11. 4 The Commr is of opinion that such institutions should send up their annual returns & then claim exemption if necessary.

5 As directed by the Court, such institutions should send up their returns & claim exemption if necessary.

NOTE: Contn. Sheet

returns. Being a trading concern, these Rees can ~~only treat the profits~~ which is run on Commercial lines can treat only the profits after paying Income tax as the amount available for being dowed to Charity. A question of exemption from tax either generally or year after year as proposed in the Census Rules therefore arises for Consideration.

6 The L.L. Secty may be Consulted in the matter.

Rev Secy

12/11/24

7 Yes.

25/11

8 To L.L. Secty with Compts

25/11/24

25/11

9 The principle underlying the English Income Tax Act is that tax shall be assessed & charged on the value of the produce of the Concern before any distribution to any person entitled to any share therein is made.

10 There seems to be no distinction between the English law of Income-tax & Indian Law in this point respect.

11 On this principle any profit made by trustees of charitable institution in carrying on trade is liable to be taxed though the whole of the income is devoted to charity. This was the Law in England till 1921 when by Sec 30 (c) of Finance Act 1921, an exemption is granted in respect of the profits of trade carried on by or on behalf

NOTE—Contn. Sheet

Serial No.

I am inclined to agree as to view of

The mere fact that the profits are dowed for Charitable purposes does not alter its nature as an income chargeable to tax and so

LOCAL AND LEGISLATIVE SECRETARIAT III 26 PROTECTION BRANCH

C 68.24
Law

586 / 4.1304 326/25

Serial No.

Under Indian Law, any income derived from property held under trust wholly for religious or charitable purposes & also income of a charitable institution derived from voluntary contributions are alone exempted under Sec 4. Cl 3.

12 Has any income of profits derived from trade carried on by trustees of a church any exemption from income tax under the Indian Law?

E 6734/20.2.25

13

436/18.2 11/M

14 Please ask the Comr to send up his office file for reference.

Sec 24/2

Draft 24/2

15

Draft submd. 25/2/25

Sec

2. To. The Comr of Income Tax Madras No. 71 4837 of 26.2.25

Requests him to forward his office file

3 From the Same office No. C 108 of 4.3.25

Forwards the papers connected with the appeal of Rev Mr. J.W. Sawday, Superintendent Wesleyan Mission Press,

Submd. with reference to para 14 ante

WW 1.3.25 2nd member

NOTE—Contn. Sheet

5/3/25

G.R.S. III.2]

Serial No.

1) Board wished to see what the replies from the Govt of Madras referred to in my second order as Commr.
Please see below
Lee
9/3/25

7174
9/3

2) Reference is invited to para 3 the papers flagged S & 2 are the papers referred to in the 2nd order of the Excess Comm
2nd member)
mad
11/3/25

Please call for files also
9/3

7199
11/3

1 The Commr may be asked to ascertain from Govt of Madras officers concerned (quote the letters to him) whether the Coorgs have been permanently exempted under cl 3(2)(i) or are required to submit their returns annually & are being exempted from year to year. Madras cl 3(2)(i) is the same as our 4(3)(i)
Lee
12/3/25

Govt
Comm
12.3
22 Dmpr
24/3

23

Draft engrossing part up.

Serial No.

24 Done

mab 14/3/25

To.

The Commr of Income Tax 4

no. 71515/17.3.25-

Requests him to ascertain & intimate if the S.P.C.K. Press in Madras & the Tract & Book Society in Bangalore Lane been exempted from payment of Income Tax

From

The Same Offr his no. C 1088/25.5.25- 5

intimates that the S.P.C.K. Press & the Tract Society are not required to submit the returns of income year after year & that the latter is exempted under Section 4(3)(i) of the I.T. Act.

Submd with reference to para 21 Supra (2nd member's minute dt 12.3.25)

KW 27/5

26 Rev Sec

27 II Mtg

mab 28/5/25

fc 6/6

28 Ex Sec: Mtg now be asked whether the Wesleyan Press or More shd not be treated similarly

9891 8/6

dlc 6/5 fc 8/6

29 Dmt mb 9/6

Serial No.

30 Draft Subd.
WW 9/6

31 June
mad 11/6/25

To.

6 The Comm'r of Income Tax
no. H 6659 B/13.6.25—
Enquires if the Wesleyn Mission Press, mysore may not be treated as the S.P.C.K. Press of Madras, & the Diocesan Society, Bangalore.

7 From The Same office no. C 108 B/15.6.25—
States that he has no objection to the Suggestion

32 Subd. with reference to para 27 supra — 2nd member's minute B/8.6.25.

WW 18/6 (33 Rest Secy)

34 Secy

mad 25/6/25

Rep Secy

10345/26/6/25

35 Orders may issue accordg. (This was unnecessary Cons nee & E.C. shd have studied the Question & found out that Dharwar existed instead of Mysore, & studied accordingly. Instead of sending up this Asst's letter for orders)

Lee 27/6

27/6

mad 27/6

NOTE—Contn. Sheet

Serial No. 36

Draft Subd. may issue after perusal by Dewan —

37 Rev Secy Dewan

DEW... OFFICE. RECD. 21 JUN 1925 Rec'd 6148

38 Secy to issue as withdrawn

A Copy that be sent to Secy for information

39 Issued as withdrawn with Copy of A

To.

8 The Secy Govt of India Finance Dept. No. FL 436 dt 24.7.25

Directs that the Wesleyan Boys' School and similar institutions which carry on trade on commercial principles & apply the profits thereof to religious or charitable purposes be exempted from income-tax under Section 4(3)(i) of the I.T. Act.

NOTE—Contn. Sheet

G.R.S. III-2]

WD 2119—GPB—10.000—27

General and Revenue Secretariat.

File No. 28 of 1925

Serial No.

To: Dewan Bahadur R. Thyagaraja Aiyar Esqr

Dated: 31/3.8.25

Observes that in such matters

DEWAN'S OFFICE,
RECD. ON 3 AUG. 1925
Reg. No. 6020

NOTE—Contn. Sheet

I.T.66]

In reply refer to
No. 6.108 Jan-25
Enc. Two

9815

OFFICE OF THE COMMISSIONER OF INCOME-TAX IN MYSORE,
Bangalore..... 30th October 1924.

DIARY NO. 1586

FROM

V. R. THYAGARAJA AIYAR, ESQ., M.A.,
COMMISSIONER OF INCOME-TAX IN MYSORE.

I.T 28-24-1

To

K. V. Anantharaman, Esq., B.A.,
Secretary to the Government of Mysore,
Revenue Department, Bangalore.

Sir,

In forwarding herewith copies of the Income Tax Commissioner's Order in appeal No. 218 of 20-21 preferred by the General Superintendent, Wesleyan Mission Press, Mysore City against the order of the Special Collector of Income Tax for Bangalore and Mysore Cities assessing the income of the Press and of the letter No. M. 636 A.23 dated 19/25th July 1924 from the Assistant Commissioner of Income Tax for Bangalore and Mysore Cities and Taluks addressed to the Deputy Commissioner of Income Tax seeking instructions in the matter of assessment to income-tax ~~and~~ the income of the Press and other kindred institutions, which carry on trade or business on commercial principles and apply the profit thereof to religious or charitable purposes, I have the honour to state that in my opinion each such institution which trades incidentally on commercial principles may be asked to send up its annual return and then claim exemption if necessary under the provisions of the Income Tax Regulation.

2. Any how the exemption should, it seems to me, be given

given annually and not for all time in the case of institutions which trade incidentally on commercial principles.

I have the honour to be,
Sir,
Your most obedient servant,

Commissioner of Income Tax.

IN THE COURT OF THE COMMISSIONER OF INCOME TAX IN MYSORE

Bangalore dated 4th August 1921.

Present:-

K. Chandy, Esq., B.A.,

Commissioner of Income Tax in Mysore.

Objection Petition No. 218 of 1920-21 presented by Rev. G. W. Sawday, Ag. General Superintendent, Wesleyan Mission, Mysore City, against the order of assessment made by the Collector of Income Tax for Mysore and Bangalore Cities.

O R D E R.

The Collector has not traversed the petitioner's objection that no notice was served on him and no reminder issued. In these circumstances the provisional assessment will be cancelled. From the accounts furnished by the petitioner for the year ending 30th November 1920, it is found that the Press made no profit, but sustained a loss. The accounts for the year December 1920 to December 1921 may, therefore be awaited and in the meantime a reference will be made to the Collector of Madras whether the two Presses mentioned in Petition are exempt from taxation and on what grounds and also to the Collector, C. & M. Station re: the Tract & Book Depot.

Sd/- K. Chandy,
Commissioner of Income Tax.

15th August 1921.

It has been ascertained from the Collectors of Madras and Civil and Military Station that the S.P.C.K. Press and the Tract and Book Society have been exempted from taxation under section 3(2)1. As the Wesleyan Press in Mysore is also not trading for profits, but is part of the general Mission Work and profits, if any, are used for philanthropic work, it will be exempted from taxation.

Sd/- K. Chandy,
Commissioner of Income Tax

'Copy' For Commissioner.

Letter No. M.636-A.23 dated 19/25th July 1924 from the Assistant Commissioner of Income Tax in Mysore, Bangalore, to the Deputy Commissioner of Income Tax in Mysore, Bangalore.

I have the honour to enclose for ready reference a copy of the Commissioner's Memo No. O.P.218 dated 20th August 1921 in the matter of exemption from income tax of the income earned by the Wesleyan Mission Society from the Press business in Mysore and to state as under in this connection with due deference to the orders referred to above.

The Mission whose object is a purely religious or charitable one does carry on business incidentally for commercial purposes and on commercial principles though the profit thereof is applied for the religious or charitable purposes. Such profits are discussed at length in pages 104 and 105 of P. Doraswamy Iyengar's book on Income Tax and Pages 313, 314 and 315 of Snelling's Income Tax and Super Tax Law and Cases. The quoted decisions seem clearly to support the assessability to income tax of the profits of the Wesleyan Mission Press. The circumstances under which the incomes of the Tract Book Society, Bangalore and S.P.C.K. Press, Madras have been exempted are not known to me though the Commissioner"s order above referred to seems to have been issued after consulting the Income Tax Officers of Madras and Civil and Military Station, Bangalore. I have the honour, therefore, to request you to kindly let me have a ruling in the matter that may be adopted as applying to institutions like the following:-

Wesleyan Mission Association and
The Amateur Dramatic Association
The Vokkaligara Sangha Press

The point is if any trade or business carried on by undoubtedly

undoubtedly religious or charitable institutions are exempt from income tax on the ground that the profits made thereby are devoted to purposes which have been given exemption under the Regulation.

'Copy'

For Commissioner of Income Tax.

G. R. S. VI—G/32]

SUBJECT .....

.....

.....

Diary No. of letter replied to .....

General and Revenue Secretariat

( )

, the *192* .

Date of issue 26/2/25 To

Signed by M. M. A. R.

Section J. T

File No. 28.24

Serial No. 2.

No. H. 4837

The Comm^r of Income Tax in Mysore

Sir,

With reference to your letter no. C 108 of 30th Oct 1924 in regard to the exemption from income tax of religious or charitable institutions which trade incidentally on commercial principles, I am directed to request you to be so good as to forward for reference your office file relating to the Case question.

I have etc

26/2/25

for Secy to Govt

Rev. Deptt

Over

WD 0632-GPB—18000—16-8 28

Rec'd 1/12

36913

No. C.108/24-25.

OFFICE OF THE COMMISSIONER OF INCOME-TAX IN MYSORE

ENC. One file

Bangalore, 4th March 1925.

DIARY NO. 3267

From

V. R. Thyagaraja Iyer, Esq., B.A.,
Commissioner of Income-tax in Mysore,
B a n g a l o r e.

To

V. Anantharaman, Esq., B.A.,
Secretary to the Government of Mysore,
Revenue Department, Bangalore.

Sir,

As desired in your letter No.Fl.4877/I.T.28-24-2 dated 26th February 1925, I have the honour to forward herewith the records connected with the appeal of Rev. Mr. G. . Sawday, Superintendent, Wesleyan Mission preferred in 1921-22 against the assessment order of 1920-21 by the Special Collector of Income-tax for Bangalore and Mysore Cities.

I have the honour to be,
Sir,
Your most obedient servant,

COMMISSIONER OF INCOME TAX.

App.F.VI-G1.]

SUBJECT

Section G.T

File No. 28-24.

Serial No. 4

Diary No. of letter replied to

No. H5-257 Enc 2

General and Revenue Secretariat

( )

, the 192

To

The Comm^r of Income-tax.

Date of issue 17.3.25

Signed by J. M. A. Rangachar.

Sir,

With reference to your letter No: C-608-24 dt 4-3-25 in regard to the assessment of Income-tax on the Wesleyan Mission Press, Madras, I am directed to invite reference to ~~forward herewith copies~~ of the letters noted in the margin on the file of papers sent by you and to request you to ascertain & report from the Income-tax Officer, Madras & the Income-tax Collector, C & M Stations, Bangalore whether the ~~in Madras~~ S.P.C.K. Press & the Theosophical Book Society in Bangalore have been permanently exempted under

over

R 1448/21 dt 11-6-21 from the Collector, C&M Stations, Bangalore to the Comm^r of Income-tax.

S.7 No 1823-892-21 dt 6-6-21 from Special Income-tax Officer, Madras to the Comm^r of I.T.

List of enclosures

Copied by

Examined by

from payment of Income Tax under Section
~~clause (3) of~~ 3 (3) (i) of the ~~Act~~ Act corresponding to Section 4(3)(i) of the new Income Tax Act, 1961
I.T. Rules or whether they are required
to submit their returns annually and are
~~by~~ being exempted from year to year.

Shrivastava
14/3/75

for DRI; Secy

WBRao
13/3

13/3

48139

IN REPLY REFER TO
No...C..108/24-25
ENCLO.....Two

OFFICE OF THE COMMISSIONER OF INCOME-TAX
IN MYSORE,

Bangalore, 25th M a y *1925*,

FINANCIAL SECRETARIAT
27 MAY 1925

4692

19 — 19
I. T.
No. 28-24
5

GENL. & REV. SECTT.
BR. ....
26 MAY 1925
G. D. SECTION.

From:-

V. R. Thyagaraja Iyar, Esq., M.A.,
Commissioner of Income Tax in Mysore.

To

K. V. Anantharaman, Esq., B.A.,
Secretary to the Government of Mysore,
Revenue Department, B a n g a l o r e.

Sir,

With reference to your letter No.Fl.5151/I.T.28-24-4 dated the 17th March 1925, calling for further information in regard to the assessment of Income Tax on the Wesleyan Mission Press, Mysore, I have the honour to enclose herewith copies of letters dated 20th April 1925 & 20th May 1925, received from the Second Income Tax Officer, Madras and the Collector and Assistant Commissioner of Income Tax, Civil and Military Station, Bangalore, respectively and to state that the S.P.C.K. Press in Madras and the Tract and Book Society in Bangalore are not required to submit the return of income year after year. Further, the latter is exempted under Section 4(3) (i) of Act of XI of 1922.

I have the honour to be,

Sir,

Your most obedient servant,

Head Quarters Assistant to
the Commissioner of Income
Tax in Mysore.
(Absent from Station).

KGS/25-5

Letter No.783/25 dated the 20th May 1925, from the Collector & Assistant Commissioner of Income Tax, Civil and Military Station, Bangalore to the Commissioner of Income Tax in Mysore, Bangalore.

Incometax liability - Tract & Book Society - Your letter No.C. /108/24-25 dated 28th March 1925.

The above society is exempt under Section 4(3) (i) of Act XI of 1922 and is not required to submit its return annually and be exempted from year to year.

=======

" C O P Y "

For Commissioner of Income Tax
in Mysore

KGS/25-5

Copy of letter No. dated 20th April 1925, from the Second Income Tax Officer, Madras, to the Commissioner of Income Tax in Mysore, Bangalore.

@@@@@@@@@@

S.P.C.K. Press - Incometax - Liability - Your letter dated 28 - 3 - 25 to the Special Income Tax Officer, Madras.

The S.P.C.K. Press is not being called on year after year to submit its return of income.

=======

"C O P Y"

For Commissioner of Income Tax
in Mysore.

KGS/25-5

G. R. S. G/33]

GENERAL AND REVENUE SECRETARIAT.

(Continuation sheet draft form.)

Fl 6659 of 13.6.25

J.T. 28-24-6

To

The Commr of Income Tax
in Mysore

Sir

With reference to the correspondence ending with your letter no. C 108 of 25th May 1925 in regard to the exemption from income tax of religious or charitable institutions which trade incidentally, I am directed to request you to be so good as to state whether the Wesleyan Mission Press, Mysore may not be treated as the S.P.C.K. Press, Madras & the Tract & Book Society, Bangalore.

I have etc
11/6/25
For Secy to Govt
Rev. Deptt

KW

WD 2230—GPB—1,00,000—28-7-20

50391

I.T. 66]

In reply refer to
No. C.No./24-25
Enc.....

OFFICE OF THE COMMISSIONER OF INCOME-TAX IN MYSORE,

Bangalore 15th June *192*5.

REV. SECTT. R. 17 JUN. 1925 I. D. SECTION

DIARY NO 4935
19 - 19

FROM

V. R. THYAGARAJA AIYAR, ESQ., M.A.,
COMMISSIONER OF INCOME-TAX IN MYSORE.

TO

K. V. Anantharaman, Esq., B.A.,
Secretary to the Government of Mysore,
Revenue Department, Bangalore.

Sir,

With reference to your letter No.Fl.6659/I.T.25-24 dated 1st June 1925, I have the honour to state that I have no objection to the Wesleyan Mission Press, Mysore, being treated in the same manner as the S.P.C.K. Press, Madras and the Tract Book Society, Bangalore are treated by the respective Income Tax authorities.

2. I may add, that my first proposal in the matter providing for annual ~~expenditure~~ exemption was made with a view to safeguard the revenue interests of Government.

I have the honour to be,

Sir,

Your most obedient servant,

Commissioner of Income Tax,
in Mysore. 15/6/25

KGS/15-6

G.R..S VI G 34] .

SUBJECT.....

.....

.....

Diary No. of letter replied to.....

General and Revenue Secretariat

( )

the 192

Date of issue 24.7.'25

Signed by Sr M.A. Ranganathan

Section 9T

File No. 28-24

Serial No. 8.

Proceedings of the Government of His Highness the Maharaja of Mysore.

Read—

Letter no. C108 & 30th Oct 1924 from the Comm' of Income Tax in Mysore forwarding a copy of letter no M 636-A 23 & 25th July 1924 from the Asst. Comm' of Income Tax for Bangalore & Mysore cities & taluks in regard to the assessment of the Wesleyn Mission Press, Mysore and soliciting instructions in the matter of assessment to income-tax of the income of charitable and religious institutions which

Order Thereon No.

May this be

i Printed ?

ii treated as a standing order ?

iii published in the Gazette, English Part ?

iv translated ?

v placed at the disposal of the press ?

vi published in the Gazette, Kannada Part ?

carry on trade on commercial principles.

2. Correspondence ending with letter no. C 108 A 15th June 1925 from the same officer on the subject.

Order 4(1)28/436/

Govt. direct that the Wesleyn Mission Press, Mysore & other similar institutions which carry on trade on commercial principles & apply the profits thereof to religious or charitable purposes, be exempted from Income tup under Section 4(3)(i) of the Mysore I.T. Regn.

Rev 10/1925

For Secy to Govt
Rev. Deptt.

NN

List of enclosures.

To.

The Commr of Income Tax in Mysore with this office file no. 218 J 1920-21.

Copied by

Examined by

FD 1988—GPB—1,000.00—21-12-61

Fl 731 dated

3 8/25

Confidential.

Dear Sir,

I am desired to invite reference to the correspondence ending with G.O.No.Fl. 436 dated 24th July 1925 in regard to the exemption from income-tax of the income of charitable institutions which carry on trade on commercial principles and apply the profits for charitable purposes and to observe that in a matter of this kind you should have studied the question fully, ascertained what the practice in other Provinces was and then submitted the case to Government with definite recommendations. The disposal of this case was delayed on account of the absence of definite recommendations with full information. I am desired to request you that in all such cases you, as the Head of the Department, should make proper investigation and pass suitable orders. In the event of references to Government being considered necessary, full information should be given and your definite recommendations made.

Yours sincerely,

To

V. R. Thyagaraja Aiyar, Esq., M.A.,
Commissioner of Incometax.